Company Number: 00110663

ASSOCIATED BRITISH ENGINEERING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2015

ASSOCIATED BRITISH ENGINEERING PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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The Directors’ Report on pages 3 to 5 and the Directors’ Remuneration Report on pages 56 to 58 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the directors for these reports is owed solely to Associated British Engineering plc.

The directors submit to the members their Report and Accounts for the Group for the year ended 31 March 2015. Pages 1 to 9 and 50 to 59, including the Financial Highlights, Chairman’s Statement, Directors’ Report, Strategic Report, Corporate Governance Report, Directors’ Remuneration Report and the Directors, Registered Office and Advisers page form part of the Report of the Directors.

FINANCIAL HIGHLIGHTS

	2015 **£'000**	2014 £'000
REVENUE	**2,626**	2,667
OPERATING LOSS	**(131)**	(308)
LOSS BEFORE TAXATION	**(179)**	(328)
NET ASSETS	**2,181**	2,858
BASIC LOSS PER 2.5p ORDINARY SHARE	**(7.5p)**	(4p)
EQUITY SHAREHOLDERS' FUNDS PER 2.5p ORDINARY SHARE	**£1.06**	£1.39

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

The Group's operating loss fell from £308,000 in the previous year to a loss of £131,000 in the year to 31 March 2015. This performance was largely due to a fall in costs at the Group's main operating subsidiary, British Polar Engines Limited ("BPE"), and its subsidiary Akoris Trading Limited ("Akoris") which fell by some £0.2m in the year to 31 March 2015. Although Akoris started trading in the year the overheads were too high and it was decided to curtail its activities. The BPE business turnover remains volatile and subject to the vagaries of the offshore oil drilling market and world demand generally.

As stated in our various announcements' to the market during the year the offshore oil market has experienced a sharp downturn in activity and reduction in profits; however BPE continues to actively seek out new markets and we remain confident that sales should improve .

The IAS 19 Pension Valuation has resulted in the pension deficit for BPE increasing from £1,414,000 to £1,892,000 at 31 March 2015. Shareholders will appreciate that the calculations surrounding these figures result from a combination of facts and assumptions which are set out in details in the notes to these accounts.

In January this year your Board resolved to invest a portion of the company's surplus cash assets in 3 Legs Resources Plc, an AIM listed company listed on the London Stock Exchange. On the 9th of June 2015 3Legs announced that Jim Mellon and Greg Bailey two well-respected investors in the bioscience sector had invested £500,000 in 3Legs and joined the Board.

As stated in the opening paragraph BPE's subsidiary Akoris has reduced operations and costs are now minimal. The future for Akoris remains under review.

The Board continues to keep central costs at a low level and seeks to identify a suitable corporate transaction to take the Group forward.

As a small group we are reliant on the dedication of our staff and the Board thanks them all for their effort and commitment.

Rupert Pearce Gould and Colin Weinberg
Chairmen
28 July 2015

The directors submit their report and audited accounts for the year ended 31 March 2015.

RESULTS AND DIVIDENDS

The Group's loss after tax amounted to £185,000. The directors are unable to recommend a dividend on the ordinary shares for the year (2014: nil per ordinary share).

AVAILABLE FOR SALE FINANCIAL ASSETS

After extensive discussion the Board decided to deploy a portion of the group's liquid assets into special situations to be found in the stock market in order to achieve a meaningful return on its cash. In furtherance of this policy the group made an investment in an Aim listed company 3Legs Resources and one of your directors joined the Board of that company.

DIRECTORS

The names of the directors who served during the year from 1 April 2014 to 31 March 2015 are:

Mr D A H Brown	Chairman (Resigned 18 September 2014)
Sir David Thomson Bt.	Chairman (Appointed 18 September, vacated office 11 December 2014)
Mr S J Cockburn	Non-Executive Director
Mr C Weinberg	Director
Mr A R Beaumont	Non-Executive Director (vacated office 11 December 2014)
Mr R Pearce Gould	Director (Appointed 18 September 2014)

Biographical details of the directors are set out on page 59.

In accordance with the Articles of Association Mr S J Cockburn retires by rotation and, being eligible, offers himself for re-election.

SUBSTANTIAL HOLDINGS

As at 30 June 2015 and at 31 March 2015 the Company had been notified of the following substantial interests, in excess of 3%, in the issued ordinary share capital of the Company:

Shareholders	**Notes**
W B Nominees Limited	Includes C Weinberg's beneficial interest
R A Pearce Gould	Part of Mr Pearce Gould's holding for his pension fund is held in Rulegale Nominees Limited – see below
Fiske Nominees Limited (FISKPOOL)	Of which I A W Tyler has 3.2% of issued ordinary shares which is part of Mr S Cockburn non-beneficial interest
Rulegale Nominees Limited	Of which R A Pearce Gould's pension fund has 5.2% of issued ordinary shares; this holding is included above under Mr Pearce Gould's overall beneficial holding
Fitel Nominees Limited (DMOD)	
BNY (OCS) Nominees Limited	Of which all is The Investment Company PLC
Hargreaves Lansdown (Nominees) Limited	Of which D Newlands has 4.1% of issued ordinary shares

BENEFICIAL INTERESTS IN SIGNIFICANT CONTRACTS

None of the directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

BENEFICIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The beneficial interests of the directors, serving at the end of the year, their spouses and children in the share capital of the Company according to the register kept by the Company as at 1 April 2014 and 31 March 2015 were as follows:

	Ordinary shares of 2.5p 2015 No.	**2.5p** 2014 No.
Mr S J Cockburn	72,237	72,237
Mr C Weinberg	161,416	161,416
Mr R Pearce Gould	261,549	253,049

At the relevant dates Mr S J Cockburn had a non-beneficial interest in 80,859 (2014: 80,859) ordinary shares.

At 31 March 2014 and 2015 Sir David Thomson Bt. and Mr S J Cockburn were both directors of The Investment Company PLC that held 100,000 ordinary shares.

At 31 March 2015 David Brown had a 12.4% (2014: 12.4%) interest in the shares of Akoris Trading Limited

No share options were held by any of the directors at 31 March 2015 or 31 March 2014.

Since 31 March 2015 and up to and including 31 May 2015 there have been no changes in the directors' interests in the share capital of the Company.

The Group uses various financial instruments and these include cash, equity investments, loan stock and various others, such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The structure of the Group's and Company's capital, at nominal value, is as follows:

	No. in issue	**Nominal Value** £	**Total Value** £	**% of Capital** %
Ordinary shares	2,048,990	0.025	51,255	1.9
Deferred shares	1,313,427	1.975	2,594,018	98.1

Further details of the policies adopted by the Group in respect of the financial risk management are included within note 19 to the Group financial statements, and the Strategic Report.

DISABLED PERSONS

It is the Group's policy to give sympathetic consideration to the recruitment, continuing employment, training, career development and promotion of disabled persons.

GLOBAL GHG EMISSIONS DATA FOR THE YEAR ENDED 31 MARCH 2015

In compliance with the Climate Change Act (2008) each business division in the group has reported scope 1 and 2 emissions to provide a consolidated total of each source of greenhouse gas emissions for the year ended and these were as follows:

Combustion of fuel and operation of facilities: 156 tonnes (2014: 155 tonnes) of CO_2e

Transport: 35 tonnes of CO_2e (2014: 32 tonnes)

The Group's chosen intensity measurement

Emissions reported above (191 tonnes of CO_2e (2014: 187 tonnes)) normalised to per £'000 of turnover (£2,626 (2014: £2,667)): 0.07 (2014: 0.07).

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014. These sources fall within activities included in our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), to gather data to fulfil our requirements, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2015.

GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The directors confirm that the business is a going concern and that their assessment of the going concern position has been prepared in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009. Further details regarding the going concern status of the Group is stated on page 13.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Company's auditor. Each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that such information was provided to the auditor.

A resolution to confirm the reappointment of Grant Thornton UK LLP as auditor of the Company will be proposed at the 2015 AGM. The confirmation has been recommended to the Board by its Audit Committee and Grant Thornton UK LLP have indicated their willingness to remain in office.

By order of the Board

For and on behalf of haysmacintyre Company Secretaries Limited
Company Secretary
28 July 2015

BUSINESS REVIEW

A review of the business and of events during the year is contained in the Chairman's Statement on page 2 which forms part of the Strategic Report.

BUSINESS MODEL AND STRATEGY

The Associated British Engineering Group consists of the following two trading subsidiaries:

1. British Polar Engines Limited ("BPE"), a wholly owned subsidiary, carries out Associated British Engineering's core operating activity of the manufacturing and supplying diesel engines and spare parts for diesel engines together with associated repair work.

2. Akoris Trading Limited ("Akoris"), a subsidiary of BPE, which continued to develop its business in natural resource and commodities trading generated £304,000 in revenue during the year.

BPE's business model and strategy (by division):

Our sales team deal with the sale of diesel engines and related products and the distribution of spare parts worldwide. The team are well versed on our wide range of products and maintain a high level of technical knowledge. We sell and provide replacement parts for diesel engines principally in two key ranges and for generator sets.

We also sell generator sets and maintain these together with optimising use of our extensive range of engineering facilities in Glasgow.

We provide a worldwide service to our customers offering repair and maintenance work both on site and in house. We carry out major engine overhauls, upgrade and retrofits, as well as routine engine maintenance and service work for generator sets. Our engineers are highly experienced and able to provide technical support/assistance on site.

Our business model to achieve our strategic objectives is:

1. To meet the highest standards of customer service in some of the most demanding industrial sectors.

2. To continue the training and development of our workforce. We are currently looking at succession planning.

3. To unify standards and procedures. With the high levels of quality, safety and efficiency procedures adhered to within the company and as required by the shipping and offshore market, we continue to adjust and raise our operating standards investing in new production equipment when justified.

4. To maintain a strong governance framework. The senior management team operate within a tight framework of controls, monitored and directed by our two executive directors under direction of the Board.

Akoris business model and strategy

We are now reviewing the future direction of Akoris and see whether there are opportunities to develop a profitable business in natural resource trading, finance and investment finance and commodity services. Akoris strategy is to grow organically and generate revenues whilst ensuring that liquidity position is impacted and generating a positive cash flow.

ASSOCIATED BRITISH ENGINEERING PLC

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2015

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

The Group's main operating business is its subsidiary BPE.

Business activity in the sector in which BPE primarily operates has in recent years been buoyed by sales to the oil services business. The past year has demonstrated that this business remains sensitive to economic downturn as orders being delayed and deferred. The downturn experienced in the second half of 2014 has continued into 2015. The Board of both BPE and its parent company are actively addressing this situation. A new joint managing director has been employed in Scotland and while further developments are only at initial stages there are signs and more importantly orders entering the pipeline. We are also anticipating fresh trading opportunities overseas which should improve turnover in 2015.

Akoris a subsidiary of BPE continued to look for opportunities in specialised smelting products.

The group operates in a market and an industry which by their nature are subject to a number of inherent risks. We attempt to control these risks by adopting appropriate strategies and maintaining strong systems of internal control. These strategies however do not attempt to eliminate risk, but control the risks that we believe are appropriate to take to generate acceptable shareholder returns. Details of the group's risk management processes are given in the Corporate Governance report on page 51.

We have considered below the current risk factors that are considered by the board to be material. However in a changing world, new risks may appear or immaterial risks may become more important, and the directors will develop appropriate strategies as these risks appear.

Market conditions
The group's sales are predominantly UK, Europe and North Africa based so it is exposed to any slowdown in the UK and the European economy. However the distribution of its customers across the UK economic sectors helps reduce the impact of slowdown in any one sector. Regular financial information helps the board assess current trends. An assessment of the market and competitor activity is discussed at board meeting. This includes an assessment of our routes to market as challenges to our structure and operations emerge and assessment of our pricing strategies as competitive pressures increase. The Board are actively widening the geographical sales area.

Reputational risk
Over many years the group has built up a reputation for integrity and is aware that this can be easily damaged with the consequential cost to the ABE brand. To mitigate this risk, policies are in place which cover standards of behaviour and good governance.

Defined Benefit pension scheme funding
The group is required by law to maintain a minimum funding level in relation to its obligations to provide pensions to members of the pension scheme. This level of funding is dependent on a series of external factors, such as investment performance, life expectancy and gilt yields. Significant changes in these areas can also have a significant effect on the funding levels. The sensitivity of the funding level to these factors are disclosed in note 17 in the notes to the accounts.

Cyclical nature of the business
The trading outlook for the group remains unpredictable due to exposure to both volatile pricing and periodic cyclical swings such as those experienced in 2014 with the decline in the offshore oil production in Scotland. A review of the record of the trading results over the last decade amply demonstrates this with both revenue and operating profit increasing and declining with the oil sector. The Group's income stream fluctuates throughout the year as a result of the nature and size of the orders and order flows. It is therefore difficult to forecast trading and profitability to any great degree.

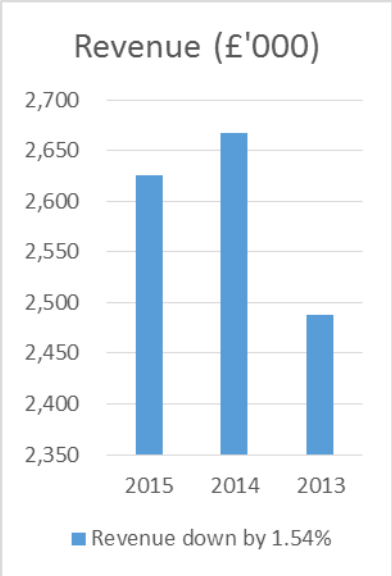
The group is now refocusing its business model and aims to enhance its production and repair business through additional training and recruitment of its workforce. During this period of transition there is quite naturally an increase in financial risks to above that normally acceptable. The Board are conscious of these risks and continues to work to mitigate them as far as possible.

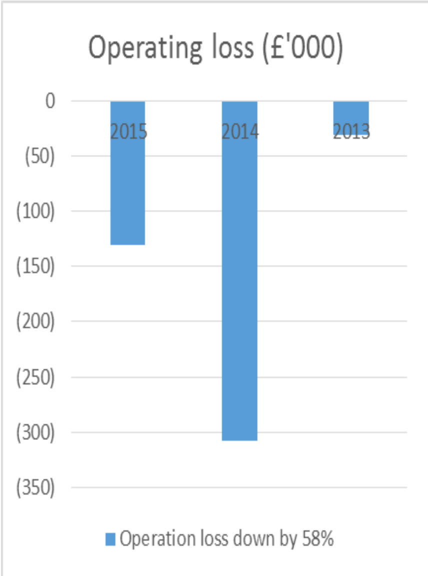
Further consideration of risks and uncertainties in respect of financial instruments that face the Group and Company is contained in note 19 to the Group financial statements.

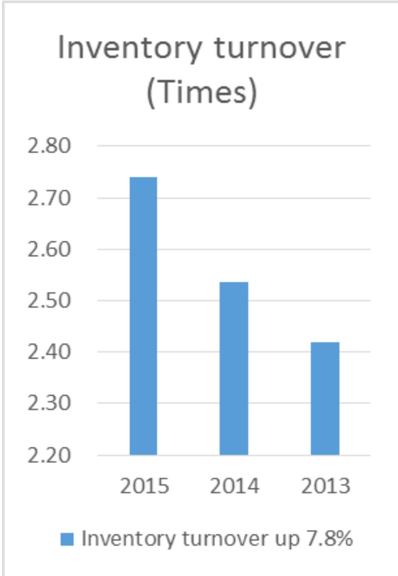
Further consideration of risks and uncertainties in respect of financial instruments that face the Group and Company is contained in note 19 to the Group financial statements.

KEY PERFORMANCE INDICATORS

The Group uses various indicators to monitor its progress. Sales, service and production are continually monitored against set monthly budgets to compare and improve upon gross profit and operating profit margins. Budgets are set on a monthly and annual basis but the directors have not enhanced the disclosures in this regard as one key transaction stalling could have a significant impact on the feasibility of the budget meaning that such disclosures are not considered useful to users of the accounts.







The Group reviews the Pension Fund liability, the key assumptions underpinning the actuarial valuation and the minimum funding requirement on a continual basis. The key assumptions underpinning the actuarial valuation are reviewed and compared with industry norms; there were no notable variances from the prior year.

There is nothing to report on environmental, employee, social and community matters or essential contractual or other arrangements.

Our employees

It is the policy of the group to train and develop employees to ensure they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Training and development is provided and is available to all levels and categories of staff.

While we do not have a specific human rights policy, we have a strong commitment to upholding the principles of human rights across our business.

CORPORATE GOVERNANCE

Details of corporate governance, which is part of this report for the year to 31 March 2015, are disclosed in the corporate governance report.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to the protection of the environment and the development of processes which ensure that any adverse impact on the environment arising from their trading activities is minimised by encouraging reduction in waste, awareness of recycling, and encouraging employees to pay regard to environmental issues.

Employees

The group's ability to achieve its commercial objectives and to service the needs of its customers in a profitable and competitive manner depends on the contribution of its employees. Employees are encouraged to develop their contribution to the business wherever they happen to work. The group regularly keeps employees up to date with financial and other information.

The Group currently employs thirty-five people, made up of two male non-executive directors, two male part time executives and two male full time executive directors and three senior managers, two male and one female. We have a dedicated and loyal workforce, many of whom are long serving employees. Over the next few years it is our intention to introduce new members of staff to ensure continuity and the passing on of knowledge for the future.

	Total no. of	**Number of males %**	**Number of females %**

	officers/employees		
Senior Management	**9**	**89**	**11**
Whole Workforce	**26**	**88**	**12**

By order of the Board

For and on behalf of haysmacintyre Company Secretaries Limited
Company Secretary
28 July 2015

Our opinion on the financial statements is unmodified

In our opinion the group financial statements:

§ give a true and fair view of the state of the group's affairs as at 31 March 2015 and of its loss for the year then ended;

§ have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and

§ have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Other matter

We have reported separately on the financial statements of Associated British Engineering plc for the year and on the information in the Directors' Remuneration Report that is described as having been audited.

Who we are reporting to

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

What we have audited

Associated British Engineering plc's financial statements comprise the group accounting policies, the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the group cash flow statement and the related notes.
The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Measurement of the defined benefit pension liability

The risk: The company has a significant defined benefit pension scheme, which has a deficit of £1,892,000 at the year end. The pension scheme is accounted for in accordance with International Accounting Standard (IAS) 19 'Employee Benefits'. The process to measure the pension liability, including the determination of the appropriate timing of recognition, involves significant judgement as the valuation is subject to complex actuarial assumptions. We therefore identified the defined benefit pension scheme as an area requiring particular audit attention.

Our response: Our audit work included, but was not restricted to, reviewing the appropriateness of the IAS 19 valuation methodology with the aid of our actuarial specialists; agreeing underlying data sent to actuaries and agreeing asset values to underlying investment manager statements. We also involved our actuarial specialists to independently challenge management's assumptions and hold discussions with the company's actuary.

The group's pension assumptions are set out in detail, together with related IAS 19 disclosures, in the group accounting policies and note 17 to the group financial statements. The Audit Committee identified the pension liability as a primary area of financial reporting judgement in its report on page 53, where the Committee also describes how it addressed this area.

Recognition of revenue

The risk: Revenue for British Polar Engines Limited represents 88% of total group revenue. In accordance with IAS 18 'Revenue', revenue should only be recognised when the risks and rewards of ownership have been transferred to the customer and control is relinquished by the supplier. The process to measure the amount of revenue to recognise in the financial statements, including determining the appropriate timing of recognition, involves significant management judgement. We have therefore identified revenue recognition as a significant risk requiring special audit consideration.

Our response: Our audit work included, but was not restricted to, a review of the group's revenue recognition policy; obtaining an understanding of the controls over the process, including challenging management's judgment regarding timing and recoverability of revenue; and for a sample of transactions ensuring that revenue has been recognised in accordance with the stated policy.

The group's accounting policy on the recognition of revenue are included in the group accounting policies and the components of that revenue are included in note 1 to the group financial statements. The Audit Committee identified revenue recognition as a primary area of financial reporting judgement in its report on page 52, where the Committee also describes how it addressed this area.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH ENGINEERING PLC

Inventory valuation and existence

The risk: British Polar Engines Limited holds a significant amount of inventory which is used for the manufacture and supply of diesel engines and spare parts, as well as associated repair works. Inventory may be held for long periods of time before utilisation making it vulnerable to obsolescence or theft. This could result in an overstatement of the value of inventory if the historical cost is higher than the net realisable value. Furthermore, the assessment and application of inventory provisions are subject to significant management judgement. We have therefore identified inventory existence and valuation as an area requiring particular audit attention.

Our response: Our audit work included, but was not restricted to, the attendance of the inventory count at the year end and the assessment of the adequacy of controls over the existence of inventory. We also tested a sample of stock items to ensure they were held at the lower of cost and net realisable value, and evaluated management judgement with regards to the application of provisions to inventory lines.

The group's accounting policies in respect of inventory are in included in the group accounting policies and disclosures are included in note 12 to the group financial statements.

Management override of financial control

The risk: Under International Standards on Auditing (ISAs) (UK and Ireland), we are required to consider the risk of management override of financial controls and due to the unpredictable nature of this risk we are required to assess it as a significant risk requiring special audit consideration.

Our response: Our audit work included, but was not restricted to, specific procedures relating to this risk that are required by ISA (UK and Ireland) 240 ' The Auditors Responsibilities relating to Fraud in an Audit of Financial Statements'. This included tests of journal entries, which comprised extraction and testing of items considered to be unusual, plus verification of the reports used for this testing. In addition our testing included the evaluation of judgements and assumptions in management's estimates and tests of significant transactions outside the normal course of business.

In particular, our work on the defined benefit pension scheme and inventory provisions addressed key aspects of ISA (UK and Ireland) 240. The Audit Committee identified management override as a primary area of financial reporting judgement in its report on page 52, where the Committee also describes how it addressed this area.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the group financial statements as a whole to be £27,000, which is approximately 1% of revenue. This benchmark is considered the most appropriate because revenue is considered to be a key driver of the Group's business. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the group financial statements. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £1,400. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

The group consists of the parent company, Associated British Engineering plc, and its two trading subsidiary undertakings, British Polar Engines Limited and Akoris Trading Limited. In establishing the overall approach to the group audit, we determined the work that needed to be performed on the operating businesses by us, as the group engagement team. Our audit scope included a full audit of the group financial statements of the parent company, Associated British Engineering plc, and of the financial information British Polar Engines Limited. In respect of Akoris Trading Limited we undertook procedures targeted to the areas of risk which may have a material impact on the group financial statements. For the financial information of the individual subsidiary undertakings, we set our materiality based on a proportion of group materiality appropriate to the relative scales of each of the operating businesses.

We undertook planned site visits to evaluate controls over key financial systems identified as part of our risk assessment, reviewed the accounts production and consolidation processes and addressed critical accounting matters. We attended the year end stock count of British Polar Engines Limited, the main operating location of the group, in order to evaluate and test the controls over inventories. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Our audit approach included the use of the work of management's and auditor's experts to assist with the audit. We reviewed the actuarial report obtained from the group's actuary on the valuation of the defined benefit pension scheme in order to ascertain the net liabilities of the scheme at the year end. Our actuarial specialists undertook a review of the assumptions and conclusions formed in this report. We have evaluated the adequacy of the work of these experts in respect of our audit.

Other reporting required by regulations
Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements:; and

§ the information given in the Corporate Governance Statement set out pages 51 to 55 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

§ certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules, we are required to review:

§ the directors' statement, on page 54, in relation to going concern; and

§ the part of the Corporate Governance Statement relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

What the directors are responsible for:
As explained more fully in the Directors' Responsibilities Statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
28 July 2015

ASSOCIATED BRITISH ENGINEERING PLC

GROUP ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

BASIS OF PREPARATION
The Company is incorporated in the United Kingdom under the Companies Act 2006.

These consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The company has elected to prepare its parent company accounts in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 45 to 49.

NEWLY ISSUED ACCOUNTING STANDARDS
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2017.

Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 January 2016 as follows:

- IFRS 5 – Changes in methods of disposal
- IFRS 7 – Servicing contracts
- IFRS 7 – Applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 – Discount rate: Regional market issue
- IAS 34 – Disclosure of information “elsewhere in the interim financial report”

The directors anticipate that the adoption of the above Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

GOING CONCERN

The financial statements have been prepared on the going concern basis. There have been no changes to accounting policies in the year. The most notable accounting event has been the increase in the pension scheme deficit based on this year’s actuarial forecast and referred to in the Chairman’s Statement. With reference to the recovery plan agreed with the Trustees in conjunction with the valuation of the pension scheme as at 1 April 2014, the Group will make the following contributions over the period from 1 April 2014 to 31 March 2030:

- From 1 April 2014 until 1 August 2014 contributions of £17,000 per month have been paid in accordance with the previous recovery plan.
- From 1 August 2014, £10,000 per month will be payable by the 19th of the calendar month after that to which they relate.
- An additional lump sum of relating to the profits of the employer in respect of all accounting periods from 1 April 2014 is payable in the financial year following the generation of the profits calculated on the following basis:-
- a) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £250k and below £1,050k an additional payment of 20% of such profits
- b) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £1050k an additional payment of 10% of such profits
- Profit-share contributions will only be payable if there is a gross pension deficit recorded in the Employer’s Annual Report and Accounts for the financial year in which the profits are generated
- Funding shortfall contributions (including profit-share contributions) will cease in the event that a funding surplus is certified by the Scheme Actuary

Based on the Group’s budgets and cash forecasts, the Board considers that the Group has sufficient resources to meet all necessary outgoings and to enable it to continue in operational existence for the foreseeable future.

BASIS OF CONSOLIDATION

The consolidated accounts include the company and all its subsidiary undertakings (from the date of acquisition or to the date of disposal where applicable). Intra group sales and profits are eliminated on consolidation. The accounts of all subsidiary undertakings are made up to 31 March.

A subsidiary is an entity controlled, either directly or indirectly, by the company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expenses in the period in which they are incurred.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with the Standard.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration receivable by the Group for goods supplied and services provided, excluding value added tax and trade discounts. Revenue from the sale of spare parts is recognised when the goods are dispatched or, if under a bill and hold arrangement, when they are available for despatch to a specific customer. Revenue from the sale of engines is recognised in accordance with the performance of contractual terms and specifically when the engines have been satisfactorily tested in accordance with contractual terms. Revenue from servicing and repair work is recognised when the work is completed.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Management are required, in accordance with IFRS, to exercise judgement and to make estimates and assumptions regarding the application of accounting policies and the resulting effect on reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a review of current conditions prevailing at the time but actual results may differ from these estimates. Any such revision is recognised in the financial statements in the period in which the change in circumstance is detected.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2015

Accounting Judgements

The key areas where management have exercised judgement in the year, and the thought processes undertaken, are as follows:

Deferred tax
Judgement is applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets. Note 20 sets out information on carried forward tax losses for which a deferred tax asset has not been recognised.

Pension Scheme
The directors are in regular contact with the Trustees of the pension scheme in connection with three keys areas where judgement is exercised; the assumptions underpinning the actuarial valuation, continued negotiations regarding the pension scheme and in relation to the payment plan. The directors then assess the relevant estimates and assumptions made to ensure that statutory obligations are met.

In evaluating the assumptions underpinning the actuarial valuation the directors have sought the professional advice of a firm of actuaries who prepare the valuation according to industry standards and norms. During the year under review an actuarial loss of £566,000 (2014: £580,000) was recognised in the Group accounts.

The assumptions underpinning the actuarial valuation are disclosed further in note 17 to the Group financial statements.

Available for Sale Financial Assets
During the year the Group has acquired a 19.9% stake in 3 Legs Resources PLC as disclosed in note 14. The directors have judged that this holding does not give the group ‘significant influence’ over 3 Legs Resources PLC, and so this investment has not been accounted for as an associate in these financial statements.

Accounting Estimates
The key accounting estimate having an impact on carrying amounts of assets and liabilities in the reporting period is as follows:

Inventories
Inventories are stated at the lower of cost (including an appropriate proportion of attributable supplier rebates and discounts) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete or slow moving inventories where appropriate.

Inventories held by the Group consist of raw material (mainly components), work in progress (manufactured engine parts) and finished goods (both purchased and manufactured engine parts). A specific provision is made, on a 100% basis, for all stock lines that are obsolete or slow moving for periods in excess of four years. A general provision is made of 5%, 12.5%, 25% and 50% over all stock lines that have not moved for one, two, three and four years respectively.

The inventory provision at the year end amounted to £2,430,000 (2014: £2,219,000). The gross value of inventories at the year end is £3,369,000 (2014: £3,371,000).

The directors review their assumptions and accounting estimates, along with the accounting policies adopted in preparing these financial statements, on a regular basis and recognise any change in the period in which circumstances vary.

Provision for doubtful debts
At the balance sheet date, each subsidiary evaluates the collectability of trade receivables and records provisions for doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery and could impact future operating results positively or negatively. As at 31 March 2015 the Group has provided £86,000 (2014:£79,000) against its current trade receivables.

INVENTORIES AND IMPAIRMENT OF INVENTORIES
Inventories of raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Work in progress and finished goods include an appropriate allocation of overheads.

Cost is on a first in, first out basis. Net realisable value is the estimated selling price in the normal course of business, less estimated costs of completion and provision is made for obsolete, slow moving and defective inventories.

LEASED ASSETS
Leases of property and plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Assets held under finance leases are capitalised at lease inception at the lower of the asset’s fair value and the present value of the minimum lease payments. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate within borrowings. The interest element of the

finance cost is charged to the income statement over the life of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment is depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals (net of any related lease incentives) are charged against profit on a straight line basis over the period of the lease.

FOREIGN CURRENCIES
The functional and presentational currency of the parent company and its subsidiaries is UK Pounds Sterling, rounded to the nearest thousands. Transactions in currencies other than the functional currency are translated at the rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gains or losses arising from the transactions are taken to the income statement.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost less depreciation and any impairment in value. Freehold land is not depreciated. Depreciation is calculated to write down the cost of all property, plant and equipment less its residual value by annual instalments over their expected useful lives on the following bases:

Freehold buildings	5 per cent straight line
Plant and machinery	7½- 33□ per cent straight line

These useful lives and residual values are reviewed in each financial period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, over the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

The carrying values of property, plant and machinery are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

TAXATION
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

TAXATION (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

RETIREMENT BENEFIT COSTS

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Group statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to cumulative unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Actuarial gains and losses, which represent differences between the expected and actuarial returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in the statement of other comprehensive income in the period in which they occur.

Pension payments to the group's defined contribution schemes are charged to the income statement as they arise.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with a maturity of three months or less which are subject to an insignificant risk of changes in value.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

FINANCIAL INSTRUMENTS (Continued)

Further analysis of the Group's financial instruments, and the relevant exposure to risks and uncertainties, is stated in note 19 below and the various classifications of financial assets and liabilities are identified and explained.

Trade and other receivables

Trade and other receivables are originally recognised at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method. A provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The total of bad and doubtful debts at the year-end was £86,000 (2014: £79,000). Trade receivables and cash and cash equivalents are classified as loans and receivables.

Trade and other payables

Trade and other payables are originally recognised at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method.

Investments in securities

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, with all transaction costs being written off to the income statement as incurred.

Investments are classified as available for sale and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of available for sale financial assets are included in other comprehensive income for the period. When the asset is disposed of or deemed to be impaired, the cumulative gain or loss is reclassified from equity reserve to profit or loss.

Reclassification of financial assets held for trading to available for sale financial assets

The investments in securities were previously classified as held for trading in the financial statements. The directors have considered the nature of the investment portfolio in the context of IAS 39 and have determined that it is more appropriate to classify the investment portfolio as assets available for sale rather than held for trading. Therefore the financial assets of £129,000 as at 31 March 2014 have been reclassified on the balance sheet as available for sale.

As a consequence of this change future gains and losses on the investment portfolio will pass through other comprehensive income rather than the profit and loss and be recorded in an Available for Sale Reserve. In the year to 31 March 2015, an unrealised gain of £75,000 has been recognised within other comprehensive income, of which an £84,000 gain relates to the investment addition in the year, and a £10,000 loss relates to the investments previously classified as held for trading. The impact of this change on the prior year results was £39,000 which is not considered to be material and so no restatement of the prior year profit and loss account and statement of comprehensive income has been made. In the year ended 31 March 2015 £14,000 has been transferred from retained earnings to a separate Available for Sale reserve to reflect this change. This change has no impact on reported net assets.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

SEGMENTAL REPORTING

The standard requires financial information to be disclosed in the financial statements in the same format in which it is disclosed to the chief operating decision-maker. The chief decision-maker has been identified as the Board, at which level strategic decisions are made.

EQUITY AND RESERVES

Share capital represents the nominal value of shares that have been issued except for the preference shares classified as debt.

Deferred shares represents shares arising from the sub-division of ordinary shares of £2.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits and losses.

Available for sale reserve includes all gains and losses relating to Available for Sale financial assets.

Other reserves relate to movements not classified in any of the reserves detailed above.

All transactions with owners of the parent are recorded separately within equity.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £'000	2014 £'000
REVENUE	1	**2,626**	2,667
Operating costs	2	**(2,757)**	(2,975)
OPERATING LOSS		**(131)**	(308)
Finance expense	7	**(70)**	(45)
Finance income	7	**22**	25
LOSS BEFORE TAXATION		**(179)**	(328)
Taxation	8	**(6)**	12
LOSS FOR THE YEAR		**(185)**	(316)
EARNINGS PER SHARE ON LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
BASIC AND DILUTED	9	**(7.5p)**	(4p)
Loss for the year attributable to:			
Owners of the Company		**(153)**	(99)
Non-controlling interests		**(32)**	(217)
		(185)	(316)

All activities are classified as continuing.

Note:
Investments in securities previously classified as held for trading were reclassified as available for sale financial assets. As a consequence of this change, gains and losses on the investment portfolio in the company as from April 2014 will pass through other comprehensive income rather than the income statement and be recorded in the Available for Sale Reserve. In the year to 31 March 2015, an unrealised gain of £75,000 has been recognised within other comprehensive income, of which an £84,000 gain relates to the investment addition in the year, and a £10,000 loss relates to the investments previously classified as held for trading. The impact of this change on the prior year results was £39,000 (increased loss) that would be in other comprehensive income and not in income statement; which is not considered to be material and so no restatement of the prior year income statement and statement of comprehensive income has been made.

The accounting policies on pages 13 to 19 and the notes on pages 25 to 41 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £'000	2014 £'000
Loss for the year		**(185)**	(316)
Other comprehensive income			
Re-measurement of the net defined benefit liability (*)	17	**(566)**	(580)
Gain on available for sale financial asset (**)		**74**	-
Reclassification of realised gain/loss on available for sale financial assets (**)		**1**	-
Other comprehensive income for the year		**(491)**	(580)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(676)**	(896)
Total comprehensive loss attributable to:			
Owners of the Company		**(644)**	(679)
Non-controlling interests		**(32)**	(217)
		(676)	(896)

(*) = Items which will not subsequently be reclassified to the Income Statement.
(**) = Items which may subsequently be reclassified to the Income Statement.

All activities are classified as continuing.

The accounting policies on pages 13 to 19 and the notes on pages 25 to 41 form part of these accounts.

GROUP BALANCE SHEET

31 MARCH 2015

	Note	2015 £'000	Restated 2014 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**321**	364
Available for sale financial assets	14	**417**	129
		738	**493**
Current assets			
Inventories	12	**939**	1,052
Trade and other receivables	13	**603**	527
Cash and cash equivalents		**2,606**	2,992
		4,148	4,571
Total assets		**4,886**	5,064
EQUITY AND LIABILITIES			
Called up share capital	15	**51**	51
Deferred shares	15	**2,594**	2,594
Share premium account		**5,370**	5,370
Other components of equity		**11**	11
Available for Sale financial assets		**89**	-
Retained earnings		**(5,927)**	(5,227)
Equity attributable to the Company's Equity shareholders		**2,188**	2,799
Non-controlling interests		**(6)**	59
Total equity		**2,182**	2,858
LIABILITIES			
Non-current liabilities			
Retirement benefit obligation	17b	**1,892**	1,414
Obligation under finance leases	18	**107**	172
Deferred tax liabilities	20	**8**	2
		2,007	1,588
Current liabilities			
Trade and other payables	18	**632**	553
Obligations under finance leases	18	**65**	65
		697	618
Total liabilities		**2,704**	2,206
Total equity and liabilities		**4,886**	5,064

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2015 and were signed below on its behalf by:

C Weinberg
Director
The accounting policies on pages 13 to 19 and the notes on pages 25 to 41 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Share capital	Share premium	Deferred shares	Other reserve	Available for Sale Financial Assets	Retained earnings	Attributa -ble to owners of the parent	Non-controll -ing interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	51	5,370	2,594	11	-	(4,548)	3,478	276	3,754
Loss for the year	-	-	-	-	-	(99)	(99)	(217)	(316)
Other comprehensive income									
Actuarial loss in defined benefit plan (*)	-	-	-	-	-	(580)	(580)	-	(580)
Total comprehensive income for the year	-	-	-	-	-	(679)	(679)	(217)	(896)
Balance at 31 March 2014	51	5,370	2,594	11	-	(5,227)	2,799	59	2,858
Loss for the year	-	-	-	-	-	(153)	(153)	(32)	(185)
Other comprehensive income									
Actuarial loss in defined benefit plan (*)	-	-	-	-	-	(566)	(566)	-	(566)
Unrealised gain on Available For Sale financial assets (**)	-	-	-	-	74	-	74	-	74
Reclassification of realised gain/loss on Available For Sale financial assets (**)	-	-	-	-	1	-	1	-	1
Transfer from retained earnings to Available for Sale financial assets	-	-	-	-	14	(14)	-	-	-
Transactions with owners									
Purchase of shares from non-controlling interest	-	-	-	-	-	33	33	(33)	-
Total comprehensive income for the year	-	-	-	-	89	(700)	(611)	(65)	(676)
Balance at 31 March 2015	**51**	**5,370**	**2,594**	**11**	**89**	**(5,927)**	**2,188**	**(6)**	**2,182**

(*) = Items which will not be subsequently be reclassified to the Income Statement.
(**) = Items which may subsequently be reclassified to the Income Statement.

The accounting policies on pages 13 to 19 and the notes on pages 25 to 41 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
	£'000	£'000
Cash flows from operating activities		
Cash used in operations	**(52)**	(445)
Interest received	**22**	20
Interest paid	**(70)**	(5)
Net cash used in operating activities	**(100)**	(430)
Cash flows from investing activities		
Proceeds from sale of equipment	**6**	-
Purchase of equipment	**(10)**	(37)
Purchase of investments	**(220)**	(13)
Sale proceeds from trading investments	**3**	5
Net cash used in investing activities	**(221)**	(45)
Cash flows from financing activities		
Repayment of finance leases	**(65)**	(65)
Net cash used in financing activities	**(65)**	(65)
Net decrease in cash and cash equivalents	**(386)**	(540)
Cash and cash equivalents at beginning of year	**2,992**	3,532
Cash and cash equivalents at end of year	**2,606**	2,992

CASH FLOW FROM OPERATING ACTIVITIES

	2015	2014
	£'000	£'000
Loss before taxation	**(179)**	(328)
Adjustments for:		
Depreciation	**53**	53
Interest income	**(22)**	(20)
Finance expense	**70**	5
Foreign exchange difference	**(4)**	-
Pension scheme interest expense	**62**	40
Cash paid in excess of current service cost	**(150)**	(137)
Profit on disposal of equipment	**(6)**	-
Profit/(loss) on disposal of Available For Sale investments	**7**	(1)
Changes in working capital:		
(Increase)/decrease in inventories	**113**	(23)
(Increase)/decrease in trade and other receivables	**(76)**	(30)
Increase/(decrease) in payables	**80**	35
Fair value gains in investments	**-**	(39)
	(52)	(445)
Taxes paid	**-**	-
Cash used in operations	**(52)**	(445)

The accounting policies on pages 13 to 19 and the notes on pages 25 to 41 form part of these accounts.

1. SEGMENTAL REPORTING

The following table shows an analysis of the Group's external sales by geographical market:

	2015	2014
	£'000	£'000
United Kingdom	**844**	1,081
Europe	**664**	813
Far East and Australasia	**383**	98
Africa	**40**	314
North and South America	**652**	331
Middle East	**43**	30
Russia	**-**	-
	2,626	2,667

The following table shows an analysis of the Group's external sales from continuing operations:

	2015	2014
	£'000	£'000
Revenue from the sale of goods	**304**	-
Revenue from the rendering of services	**2,322**	2,667
	2,626	2,667

All of the above revenue arises from diesel and related engineering activities and originates in the United Kingdom.

In the years ended 31 March 2015 and 31 March 2014 all of the assets held by the Group were located in the United Kingdom and all capital expenditure was incurred within the United Kingdom.

Operating segments

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments", which defines requirements for the disclosure of financial information of an entity's operating segments.

The Board consider the Group on an individual company basis. Reports by individual companies are used by the chief decision-maker in the Group. Significant operating segments are Associated British Engineering Plc, British Polar Engines Limited and Akoris Trading Limited.

The Group's operations are located in the United Kingdom. Any transactions between business units are on normal commercial terms and conditions.

British Polar Engines Limited's activities consist of the manufacture and supply of diesel engines and spare parts for diesel engines together with associated repair work.

Akoris Trading Limited's activities consist of commodity and natural resource trading, finance and investment.

Associated British Engineering Plc is the Group holding company.

1. SEGMENTAL REPORTING (continued)

Year to 31 March 2015	**Associated British Engineering Plc £'000**	**British Polar Engines Limited £'000**	**Akoris Trading Limited £'000**	**Consolidated £'000**
External sales	**-**	**2,322**	**304**	**2,626**
Segment result (LBIT/PBIT)	**(139)**	**171**	**(163)**	**(131)**
Net finance expenses				**(48)**
Taxation				**(6)**
Loss after tax				**(185)**
Other information				
Capital additions	**-**	**10**	**-**	**10**
Balance sheet				
Segment assets	**210**	**4,640**	**36**	**4,886**

Year to 31 March 2014	**Associated British Engineering Plc £'000**	**British Polar Engines Limited £'000**	**Akoris Trading Limited £'000**	**Consolidated £'000**
External sales	-	2,667	-	2,667
Segment result (PBIT)	(182)	308	(434)	(308)
Net finance expenses				(20)
Taxation				12
Profit after tax				(316)
Other information				
Capital additions	-	37	-	37
Balance sheet				
Segment assets	288	4,443	333	5,064

Included in the total Group revenue was £549,000 (2014: £585,000) of sales which arose from 1 customer who contributed to 10% or more of the total Group revenue for the year ended 31 March 2015 (2014: two customers). The geographical market from which the revenue from the 1 customer originates is the Unites States of America.

2. OPERATING COSTS

	2015 £'000	2014 £'000
Changes in inventories	**113**	(23)
Raw materials used	**1,114**	1,109
Staff costs	**1,103**	1,156
Depreciation and amortisation	**53**	52
Other expenses	**374**	681
	2,757	2,975

3. OPERATING LOSS

	2015 £'000	2014 £'000
Operating loss is stated after charging/(crediting)		
Depreciation on owned assets	**20**	20
Depreciation on assets held under finance leases	**33**	33
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
PLC audit costs	**23**	22
The audit of the Company's subsidiaries pursuant to legislation	**20**	18
Operating lease rental on plant and machinery	**34**	35
Profit on disposal of property, plant & equipment	**6**	-

4. STAFF COSTS AND EMPLOYEES

	2015 £'000	2014 £'000
Wages and salaries	**905**	1000
Social security costs	**91**	107
Other pension costs	**105**	107
	1,101	1,214

The average monthly number of persons employed by the Group during the year was:

	2015 Number	2014 Number
By activity		
Production	**10**	11
Administration	**18**	19
	28	30

5. DIRECTORS' REMUNERATION

Directors received emoluments of £49,000 (2014: £45,000). Further details can be found on page 57.

6. KEY MANAGEMENT COMPENSATION

	2015 **£'000**	2014 £'000
Remuneration of Group directors	**49**	45

The Group made no pension contributions in respect of Group directors during the year ended 31 March 2015 or 31 March 2014.

7. NET FINANCE EXPENSE

	2015 **£'000**	2014 £'000
Interest on obligations under finance leases	**8**	5
Interest expenses for borrowings at amortised cost	**8**	5
Net interest cost on defined benefit pension scheme	**62**	40
	70	45
Interest receivable on cash and cash equivalents	**(22)**	(25)
	(48)	(20)

8. TAXATION

	2015 **£'000**	2014 £'000
The tax charge is set out below:		
Current tax:		
United Kingdom corporation tax at 21% (2014: 23%)	**-**	-
Deferred tax:		
In respect of current year	**(6)**	12
Total current tax and tax on profit on ordinary activities	**(6)**	12

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained as follows:

	2015 **£'000**	2014 £'000
Loss on ordinary activities before tax	**(179)**	**(328)**
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 21% (2014: 23%)	**(38)**	(75)
Effects of:		
Expenses not deductible for tax purposes	**4**	7
Income not taxable	**(35)**	(33)
Tax losses and advance corporation tax relief (ACT)	**-**	(3)
Depreciation for the period in excess of capital allowances	**(4)**	7
Adjustment to recognised deferred tax	**(6)**	12
Unrelieved tax losses	**73**	97
Taxation expense in the consolidated income statement	**(6)**	12

The Group has trading losses of approximately £1.64 million (2014: £1.5 million) and capital losses of £8.5 million (2014: £8.5 million). These are available to set against future taxable profits, taxation liabilities and capital gains respectively. The trading losses are available to be used against future profits arising from the same trade within the Group. These amounts are subject to agreement with Her Majesty's Revenue and Customs. Deferred tax assets have not been recognised in the Group accounts. As the timing and extent of taxable profits are uncertain, a deferred tax asset of £661,000 arising on the trading losses has not been recognised in the financial statements.

9. LOSS PER SHARE

The calculation of loss per ordinary share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	Loss £'000	**2015 Weighted Average number of Shares**	**Per shares amount pence**	Loss £'000	2014 Weighted Average Number of Shares	Per shares amount Pence
Basic and diluted earnings per share	**(153)**	**2,048,990**	**(7.5p)**	(99)	2,048,990	(4p)

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10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
COST			
At 1 April 2013	689	1,552	2,241
Additions	-	37	37
Disposals	-	(180)	(180)
At 31 March 2014	689	1,409	2,098
At 1 April 2014	689	1,409	2,098
Additions	-	10	10
Disposals	-	(9)	(9)
At 31 March 2015	**689**	**1,410**	**2,099**
ACCUMULATED DEPRECIATION			
At 1 April 2013	689	1,172	1,861
Charge for year	-	53	53
Eliminated on disposals	-	(180)	(180)
At 31 March 2014	689	1,045	1,734
At 1 April 2014	689	1,045	1,734
Charge for year	-	53	53
Eliminated on disposals	-	(9)	(9)
At 31 March 2015	**689**	**1,089**	**1,778**
CARRYING AMOUNTS			
At 31 March 2015	**-**	**321**	**321**
At 31 March 2014	-	364	364
At 31 March 2013	-	380	380

11. CAPITAL COMMITMENTS

At 31 March 2015 the Group had capital commitments of £Nil (2014: £Nil).

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued)

FOR THE YEAR ENDED 31 MARCH 2015

12. INVENTORIES

	2015 £'000	2014 £'000
Raw materials	**94**	107
Work in progress	**81**	117
Finished goods	**764**	828
	939	1,052

The closing inventory balance of £3,369,000 (2014: £3,371,000) is stated net of provisions of £2,430,000 (2014: £2,219,000). There was an increase in provision of £211,000 (2014: £74,000 increase) in relation to slow moving stock.

13. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Trade receivables	**420**	469
Allowance for doubtful debts	**(86)**	(79)
	334	390
Prepayments and accrued income	**269**	137
	603	527

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

The average credit period offered on sales of goods varies from 30 days to 90 days. The Group has recognised an allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the year-end but against which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables:

	2015 £'000	2014 £'000
31 - 60 days	**18**	105
61 – 90 days	**2**	34
91 – 120 days	**279**	100
	299	239

Movement in the allowance for doubtful debts:

	2015 £'000	2014 £'000
Balance at the beginning of the period	**79**	32
Increase in provision	**7**	47
Balance at the end of the period	**86**	79

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group has a concentration of credit risk with exposure to one large debtor balance at the year-end which accounts for 51% of the balance due between 91 – 120 days. Management considers that all the above financial assets that are not impaired or past due are of good credit quality.

14. AVAILABLE FOR SALE INVESTMENTS

	2015 £'000	2014 £'000
Listed Securities	**417**	129

	Available For Sale financial assets £
Opening balance	129
Additions	220
Net fair value gain	74
Disposals	(6)
Closing balance	417

Gains or losses on available for sale investments are presented within other comprehensive income.
IFRS 13 requires that the fair value reflects "exit price" and is valued in line with the relevant "unit of account" and the fair value of the equity investments held is calculated by reference to the quoted market price at the year end.

Available for sale investments, which are valued based on active markets' prices, are reported under Level 1 in the fair value hierarchy.

Reclassification of financial assets held for trading to available for sale financial assets
The investments in securities were previously classified as held for trading in the financial statements. The directors have considered the nature of the investment portfolio in the context of IAS 39 and have determined that it is more appropriate to classify the investment portfolio as assets available for sale rather than held for trading. Therefore the financial assets of £129,000 as at 31 March 2014 have been reclassified on the balance sheet as available for sale.

As a consequence of this change future gains and losses on the investment portfolio will pass through other comprehensive income rather than the profit and loss and be recorded in an Available for Sale Reserve. In the year to 31 March 2015, an unrealised gain of £75,000 has been recognised within other comprehensive income, of which an £84,000 gain relates to the investment addition in the year, and a £10,000 loss relates to the investments previously classified as held for trading. The impact of this change on the prior year results was £39,000 which is not considered to be material and so no restatement of the prior year profit and loss account and statement of comprehensive income has been made. In the year ended 31 March 2015 £14,000 has been transferred from retained earnings to a separate Available for Sale reserve to reflect this change. This change has no impact on reported net assets.

15. CALLED UP SHARE CAPITAL

	2015 £'000	2014 £'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	51	51
1,313,427 deferred shares of £1.975 each	2,594	2,594
	2,645	2,645
Carrying value:		
Equity shares:		
2,048,990 ordinary shares of £0.025 each	51	51

The structure of the Group and Company's capital is as follows:

	Number of Ordinary Shares No.	Ordinary Shares £'000	Number of Deferred Shares No.	Deferred Shares £'000	Share premium £'000
Balance at 1 April 2014 (£0.025/£1.9752 shares)	**2,048,990**	**51**	**1,313,427**	**2,594**	**5,370**

15. CALLED UP SHARE CAPITAL (Continued)

Further to the Extraordinary General Meeting held on 1 September 1999 the ordinary shares have 200 votes per share.

The deferred shares do not have voting rights and do not carry any entitlement to attend general meetings of the Company; they are not admitted to any Stock Exchange and carry a right to participate in any return of capital once an amount of £100 has been paid in respect of each new ordinary share.

16. NON-CONTROLLING INTERESTS

Movement in non-controlling interests during the year are disclosed in the statement of changes in equity.

An increase in non-controlling interest of £32,000 was recognised during the year in respect of the acquisition of an additional 26.8% stake in Akoris Trading Limited ("Akoris"), bringing the total holding in Akoris at the year-end to 76.8%.

	2015 **£'000**
Brought forward as at 1 April 2014	59
Arising on purchase of additional shares from non-controlling interest *	(33)
Share of result for the year	(32)
Carried forward at 31 March 2015	(6)

* The additional shares were acquired for £1.

17. RETIREMENT BENEFIT SCHEMES

The Group operated a defined benefit pension scheme, holding the assets in a separate trustee administered fund ("the ABE Pension Fund"). The required contributions were assessed with the advice of an independent qualified actuary using the projected unit credit method. The Group also has a designated defined benefit Group personal pension plan which meets stakeholder requirements.

The scheme exposes the Group to actuarial risks such as:

Salary risk:
The present value of the plan liability is calculated by reference to the future salaries of participating members. Any increase in members' salaries will increase the scheme's liability.

Interest rate risk:
Any decrease in bond rates will increase the scheme's liability.

Investment risk:
If the return on scheme assets is below the discount rate used to calculate the present value of the scheme liability it may lead to a scheme deficit.

Longevity risk:

Any increase in life expectancy of the scheme's members will increase the scheme's liability as the present value of the scheme's liability is calculated by reference to the best estimate of the mortality rate of the scheme's members.

The scheme consists of 3 active members, 34 deferred members and 56 pensioner members. The expected contribution to the scheme for the forthcoming year is expected to be £158,000.

17. RETIREMENT BENEFIT SCHEMES (Continued)

The value placed on the benefit obligation is particularly sensitive to changes in some of the key assumptions. Two of the most critical are:

- The real (i.e. net of inflation) and nominal rates of interest used; and
- Changes in future mortality rates

Set out below is a table highlighting the impact on the results of changing these assumptions.
There would be a similar, but opposite effect if the discount rate was to be increased, the inflation rate was decreased and members assumed to live one year or less.

Assumption	Change in the Defined Benefit Obligation %	Change in the Defined Benefit Obligation (£'000)
0.25% p.a. reduction in discount rate	+4.0	75
0.25% increase in inflation	+1.7	32
Members assumed to live one year longer	+3.7	70

In the year ended 31 March 2009, the Company came to an agreement with the Trustees of the scheme and a resolution was approved whereby the Group is no longer liable for its previously recognised retirement obligations for the ABE section of the fund. The elimination of the ABE section resulted in an elimination of £3,047,000 of the opening obligation which was reflected through the Statement of Comprehensive Income. The remaining obligation relates to the BPE section of the scheme and is summarised on the following page.

Contributions by employer in respect of future accrual of benefits, death in service benefits and expenses:

28.6% (2014:28.6%) of pensionable salaries less member contributions, payable monthly by the 19th of the calendar month after that to which they relate. In addition, the employer will pay amounts into the scheme equal to the levy payments made by the scheme to the Pension Protection Fund. Such amounts will be paid by the employer within a year of them being paid by the scheme. Insurance premiums for death in service benefits, management and administration expenses are payable in addition as and when they are due.

Contributions by employer in respect of the shortfall in funding following the triennial review:

With reference to the recovery plan agreed with the Trustees in conjunction with the valuation as at 1 April 2014, the employer will make the following contributions over the period from 1 April 2014 to 31 March 2030:

- From 1 April 2014 until 1 August 2014 contributions of £17,000 per month has been paid in accordance with the previous recovery plan.
- From 1 August 2014, £10,000 per month are payable by the 19th of the calendar month after that to which they relate.
- An additional lump sum relating to the profits of the employer in respect of all accounting periods as from 1 April 2014 is payable in the financial year following the generation of the profits calculated on the following basis:-
- a) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £250k and below £1,050k an additional payment of 20% of such profits;
- b) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £1,050k an additional payment of 10% of such profits;
- Profit-share contributions will only be payable if there is a gross pension deficit recorded in the Employer's Annual Report and Accounts for the financial year in which the profits are generated;
- Funding shortfall contributions (including profit-share contributions) will cease in the event that a funding surplus is certified by the Scheme Actuary

17. RETIREMENT BENEFIT SCHEMES (CONTINUED)

	2015 £'000	2014 £'000
(a) Pension cost (recognised in Income Statement)		
Operating charge		
Current service cost	**25**	28
Other finance charges		
Interest on net defined benefit obligation	**62**	40
Total pension cost recognised in the Income Statement	**87**	68

(b) Benefit liability	**2015 £'000**	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Present value of funded obligations	**8,424**	7,101	6,748	6,451	6,577
Fair value of plan assets	**(6,532)**	(5,687)	(5,817)	(5,476)	(4,725)
Net liability	**1,892**	1,414	931	975	1,852

The major categories of plan assets are as follows:

	2015 £'000	2014 £'000
Equities (quoted)	**1,502**	847
Fixed Interest Gilts	**1,069**	340
Index-Linked Gilts	**1,907**	1,498
Corporate Bonds	**1,075**	2,929
Cash	**923**	-
Bank Balance	**56**	73
	6,532	5,687

Plan assets

The weighted-average asset allocations at the year-end were as follows:	**2015**	2014
Equities (quoted)	**23.0%**	14.9%
Bonds	**62.0%**	83.8%
Cash	**15.0%**	1.3%

Plan risks

The defined benefit plan typically expose the Company to actuarial risks, as stated on page 34, which are managed by a joint working group, comprising the Trustees of the defined benefit plan and employees of the Company.

17. RETIREMENT BENEFIT SCHEMES (continued)

(c)	**Change in benefit obligation**	**2015**	2014
		£'000	£'000
	Benefit obligation at beginning of the year	**7,101**	6,748
	Current service cost	**25**	28
	Interest cost	**327**	303
	Actuarial losses arising from changes in financial assumptions	**1,235**	393
	Contributions by plan participants	**6**	5
	Benefits paid	**(270)**	(376)
	Benefit obligation at end of the year	**8,424**	7,101

		2015	2014
		£'000	£'000
(d)	**Change in plan assets**		
	Fair value of plan assets at beginning of the year	**5,687**	5,817
	Expected return on plan assets	**265**	263
	Actuarial gains/(loss) on plan assets arising from changes in financial assumptions	**669**	(187)
	Contributions made by employer	**175**	165
	Contributions by plan participants	**6**	5
	Benefits paid	**(270)**	(376)
	Fair value of plan assets at end of the year	**6,532**	5,687

The expected long term return on cash is determined by reference to current and expected long-term bank base rates. The expected return on bonds is determined by reference to United Kingdom long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date. The expected rates have then all been reduced to reflect the level of anticipated future expenses.

The expected long term rate of return under IAS 19 (revised in 2011) is the same as the discount rate of 3.4% pa (2014: 4.7% p.a.).

(e)	**Principal actuarial assumptions**	**2015**	2014
	Inflation	**1.8**	2.1
	Rate of increase in pensionable salaries	**2.5**	2.5
	Discount rate	**3.4**	4.7
	Pension in payment increases	**1.8**	2.1
	Revaluation rate for deferred pensioners	**1.8**	2.1
	Pre-retirement mortality	**PNMAOO, MC 1%**	PNMAOO, MC 1%
		PNFAOO, MC 1%	PNFAOO, MC 1%
	Post retirement mortality	**PNMAOO, MC 1%**	PNMAOO, MC 1%
		PNFAOO, MC 1%	PNFAOO, MC 1%
	Life expectancy from age 65 (years):		
	Male currently aged 65	**22.9**	22.8
	Female currently aged 65	**25.4**	25.3
	Male currently aged 45	**24.9**	24.7
	Female currently aged 45	**27.2**	27.1

17. RETIREMENT BENEFIT SCHEMES (CONTINUED)

(f) Expected future cash flows

The Group's expected contribution to its defined benefit plans in 2015 is expected to be £158,000. The Group does not expect any material changes to the annual cash contributions over the next three years given the funding position of the scheme. The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades.

The overall weighted average duration of scheme liabilities as at 31 March 2015 is approximately 19 years

18. PAYABLES

	2015	2014
	£'000	£'000
Current		
Obligations under finance leases	**65**	**65**
Trade payables	**283**	**174**
Other taxation and social security	**23**	**39**
Other payables	**300**	**24**
Accruals	**26**	**316**
	697	**618**
The net finance lease obligations are due:		
In one year or less	**65**	**65**
Between two and three years	**107**	**172**
	172	**237**

All current payables apart from obligations under finance leases are expected to mature within a period of 6 months.

19. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, available for sale financial assets, receivables and payables are assumed to approximate to their carrying values.

The Group's financial instruments comprise cash and various items, such as trade and other receivables, available for sale financial assets and trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. At 31 March 2015 the Group has cash balances of £2,606,000 (2014: £2,992,000) and no bank overdraft (2014: £Nil).

RISKS

The main risks arising from the Group's financial instruments are market risk, liquidity risk and credit risk. Market risk includes price commodity risk, foreign exchange risk and interest rate risk. The Group has limited exposure to foreign exchange risk and also has no loans, therefore limited exposure to interest rate risk.

Cash and cash equivalents held at floating rates expose the entity to cash flow risk. Interest rate risk is limited to the cash and cash equivalents.

Based on the balance sheet value of cash and cash equivalents, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £26,000 (2014: £30,000).

The Board reviews and agrees policies for managing each of the above risks and they are summarised overleaf and in the accounting policies to the Group financial statements. These policies have been consistently applied throughout the period.

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued)

FOR THE YEAR ENDED 31 MARCH 2015

19. FINANCIAL INSTRUMENTS (continued)

COMMODITY PRICE RISK

The Group is dependent upon its suppliers to effectively operate a 'just in time' stock management system, which is utilised to mitigate high warehousing costs. There is the potential to leave the Group exposed to 'stock out' or shortages but the Group has not experienced stock difficulties of this nature in the current or prior year and does not envisage this going forward, due to its strong supplier relations.

When prices are advantageous a strategic decision may be taken to increase a stock level which mitigates the issue of price commodity risk. There are a number of suppliers used, each with various contractual terms, and therefore the Board do not consider this a significant risk.

The price of aluminium which the Group trades in is dependent on the activities of the competitors, speculators, exchange rate movements and production costs. Akoris do not utilise derivative contracts to hedge fluctuations on aluminium.

LIQUIDITY RISK

The Group's liquidity is dependent on the cash balances available and it is the Group's policy to place surplus cash on deposit to ensure as high a rate of return as possible. The Board reviews an annual 12 month financial projection as well as information regarding cash balances on a monthly basis.. The maturity profile of the Group's finance lease liabilities is set out in note 18.

CREDIT RISK

The Group's principal financial assets are cash deposits, available for sale financial assets and trade and other receivables. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade and other receivables.

In order to manage credit risk the directors of the subsidiary company set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the subsidiary's directors on a regular basis in conjunction with debt ageing and collection history. In 2015 and 2014 there were no concentrations of credit risk. The Group's top five customers comprised 17% of the year end trade receivables. The Board consider their strong customer relations to be a strength rather than a risk as they are the preferred suppliers to these customers.

Where appropriate, the subsidiary company requests payment or part-payment in advance of shipment which generally covers the cost of the goods. In connection with the trade receivables, there is a risk of warranty claims, which the subsidiary company tries to minimise. The carrying value of the trade receivables represents the maximum credit risk exposure and therefore sensitivity analysis has not been performed.

Collection procedures in relation to receivables are initiated once the credit terms are exceeded and trade receivables both due and not yet due are reviewed on a line by line basis, with adequate provision being made against period end balances where appropriate. During the year an additional provision of £5,000 has been included in the financial statements.

At the year end 72% of current financial assets are aged greater than 90 days. These amounted to £344,000 and £81,000 have been provided for.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;

19. FINANCIAL INSTRUMENTS (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available for sale financial assets				
Quoted securities	417	-	-	417

20. DEFERRED TAXATION

The deferred taxation liability at 31 March 2015 was £8,000 (31 March 2014: £2,000).

No provision has been made for the potential deferred tax assets on the trading losses carried forward as they are not sufficiently certain to crystallise in the foreseeable future, with future pension obligations deemed to exceed the potential future cash inflows. This assumption will be revisited on an annual basis or as and when circumstances change. The amounts not recognised (all of which have been calculated at 20% (2014: 20%)) are set out below:

Group	**2015 £'000**	2014 £'000
Arising from trading losses	**298**	273
Arising from capital losses	**1,700**	1,700
Arising from pension deficit	**378**	283
	2,376	2,256

21. CONTINGENT LIABILITIES

		2015 £'000	2014 £'000
a)	Banker's indemnities	**30**	30

The indemnities relate to provision of services such as letters of credit or international guarantees by the bank.

b) There were no other contingent liabilities at 31 March 2015 or 31 March 2014.

22. COMMITMENTS UNDER OPERATING LEASES

At 31 March the Group had the following commitments under non-cancellable operating leases:

	Other	
	2015 £'000	2014 £'000
Within one year	**8**	13
Between two and five years inclusive	**-**	17
	8	30

23. SUBSIDIARIES

At 31 March 2015 the Company held share capital in the following subsidiaries:

	Share Capital	Proportion held by the parent	Country of incorporation	Nature of Business
British Polar Engines Limited	Ordinary	100% (2014: 100%)	Great Britain	Manufacture and supply of diesel engines, associated servicing and sale of spare parts
Akoris Trading Limited	Ordinary	76.8% (2014: 50%)	Great Britain	Commodity and natural resource trading, finance and investment.

The group controls 100% of the voting power of the subscribed shares and has control over the financial and operational policies of Akoris Trading Limited. Therefore, Akoris Trading Limited is controlled by the group and consolidated in these financial statements. Movement in non-controlling interests are disclosed in note 16 to the accounts.

24. RELATED PARTY TRANSACTIONS

At 31 March 2015 David Brown, a company director (resigned 11 December 2014), had a 12.4% (2014: 12.4%) interest in the shares of Akoris Trading Limited.

At 31 March 2015, British Polar Engines had a 19.9% (2014: Nil) holding in 3 Legs Resources PLC. Colin Weinberg a director of the company held 0.1% holding in 3 Legs Resources at 31 March 2015.

We have audited the parent company financial statements of Associated British Engineering Plc for the year ended 31 March 2015 which comprise the principal accounting policies, the company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement on page 50, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the parent company financial statements:

§ give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the year then ended;
§ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
§ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

§ the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
§ the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of Associated British Engineering plc for the year ended 31 March 2015.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
Date: 28 July 2015

ASSOCIATED BRITISH ENGINEERING PLC

PRINCIPAL ACCOUNTING POLICIES – COMPANY

FOR THE YEAR ENDED 31 MARCH 2015

BASIS OF PREPARATION
The Company accounts have been prepared in accordance with applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice). The summary of the principal accounting policies, which have been applied consistently, is set out below. The policies have remained unchanged from the previous year.

BASIS OF ACCOUNTING
The accounts are prepared on the historical cost basis, modified to include the fair value of current asset investments.

The company does not present its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The company loss is disclosed in note 12 to the company accounts.

GOING CONCERN
The financial statements have been prepared on the going concern basis. There have been no changes to accounting policies in the year. The most notable accounting event has been the increase in the pension scheme deficit based on this year's actuarial forecast and referred to in the Chairman's Statement. With reference to the recovery plan agreed with the Trustees in conjunction with the valuation of the pension scheme as at 1 April 2014, the Group will make the following contributions over the period from 1 April 2014 to 31 March 2030:

- From 1 April 2014 until 1 August 2014 contributions of £17,000 per month have been paid in accordance with the previous recovery plan.
- From 1 August 2014, £10,000 per month will be payable by the 19th of the calendar month after that to which they relate.
- An additional lump sum of relating to the profits of the employer in respect of all accounting periods from 1 April 2014 is payable in the financial year following the generation of the profits calculated on the following basis:-
- a) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £250k and below £1,050k an additional payment of 20% of such profits
- b) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £1050k an additional payment of 10% of such profits
- Profit-share contributions will only be payable if there is a gross pension deficit recorded in the Employer's Annual Report and Accounts for the financial year in which the profits are generated
- Funding shortfall contributions (including profit-share contributions) will cease in the event that a funding surplus is certified by the Scheme Actuary

Based on the Group's budgets and cash forecasts, the Board considers that the Group has sufficient resources to meet all necessary outgoings and to enable it to continue in operational existence for the foreseeable future.

CASH FLOW STATEMENT
The Company's results for the year ended 31 March 2015 are included in the consolidated financial statements of Associated British Engineering plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 - Cash Flow Statements.

TANGIBLE FIXED ASSETS
Freehold land is not depreciated. Other fixed assets are depreciated over their estimated useful lives at the following annual rates to cost:

Freehold buildings	5 per cent straight line
Computer equipment	20 per cent straight line

DEFERRED TAXATION
Deferred tax is recognised on an undiscounted basis on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax and laws that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCIES
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Any exchange gains or losses are credited or charged to the profit and loss account in the year in which they arise.

FINANCIAL INSTRUMENTS
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

FINANCIAL INSTRUMENTS (continued)
Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Trade and other debtors

Trade and other debtors are originally recognised at fair value and subsequently amortised cost under effective interest method. A provision against trade debtors is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance the original terms of those receivables. There is no general or specific provision for bad and doubtful debts at year end. Trade debtors and cash and cash equivalents are classified as loans and receivables.

Trade and other creditors

Trade and other creditors are initially recognised at fair value, net of transaction costs and are subsequently held at amortised cost.

INVESTMENTS
Fixed asset investments in subsidiaries are included at cost less provisions for impairment.

Other investments are classified as available for sale and are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are measured at fair value.

Gains and losses arising from changes in fair value are shown in the statement of total recognised gains and losses for the period. When the asset is disposed of or deemed to be impaired, the cumulative gain or loss is reclassified from the equity reserve to profit or loss.

ASSOCIATED BRITISH ENGINEERING PLC **Company Number: 00110663**

COMPANY BALANCE SHEET

AS AT 31 MARCH 2015

	Note	2015 £'000	Restated 2014 £'000
FIXED ASSETS			
Tangible assets	3	**-**	-
Investments in subsidiaries	5	**-**	-
Other investments	6	**138**	171
		138	171
CURRENT ASSETS			
Debtors	7	**20**	18
Cash at bank and in hand		**52**	98
		72	116
Creditors – amounts falling due within one year	8	**(122)**	(54)
Net current (liabilities)/assets		**(50)**	62
Total assets less current liabilities		**88**	233
Creditors – amounts falling due after more than one year	8	**-**	-
		88	233
CAPITAL AND RESERVES			
Called up share capital	10	**51**	51
Deferred shares	10	**2,594**	2,594
Share premium account	12	**5,370**	5,370
Other reserve		**212**	212
Available for sale reserve	12	**4**	-
Profit and loss account	12	**(8,143)**	(7,994)
SHAREHOLDERS' FUNDS		**88**	233

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2015 and were signed below on its behalf by:

C Weinberg
Director

The accounting policies on pages 43 and 44 and the notes on pages 46 to 49 form part of these accounts.

1. ADMINISTRATIVE EXPENSES

	2015 £'000	2014 £'000
Directors (note 2) and employees	**60**	64
Depreciation of tangible fixed assets: owned	**-**	1

2. DIRECTORS

	2015 £'000	2014 £'000
Remuneration in respect of directors was as follows:		
Remuneration	**49**	45

The average number of employees, including directors, during the year was 5 (2014: 5). More detailed information concerning directors' remuneration is shown in the Directors' Remuneration Report.

3. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Freehold land and buildings £'000	Total £'000
COST			
At 1 April 2014	2	-	2
Additions	-	-	-
Disposals	-	-	-
At 31 March 2015	**2**	**-**	**2**
DEPRECIATION			
At 1 April 2014	2	-	2
Charge for the year	-	-	-
Disposals	-	-	-
At 31 March 2015	**2**	**-**	**2**
NET BOOK VALUE			
At 31 March 2015	-	-	-
At 31 March 2014	-	-	-

4. CAPITAL COMMITMENTS

At 31 March 2015 the Company had no capital commitments (2014: £Nil).

5. INVESTMENTS IN SUBSIDIARIES

The wholly owned subsidiaries are:

Company	Activity	Country of Incorporation
British Polar Engines Limited	Engineering	England & Wales
Akoris Trading Limited *	Commodity and natural resource trading, finance and investment	England & Wales

The investment in British Polar Engines Limited was fully provided against at 31 March 2015 and 31 March 2014.
* Held indirectly via British Polar Engines Limited

6 OTHER INVESTMENTS

	2015	2014
	£'000	£'000
Equities	**133**	129
Cash on deposit	**5**	42
	138	171

7. DEBTORS

	2015	2014
	£'000	£'000
Prepayments and accrued income	**20**	18
	20	18

8. CREDITORS

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Trade creditors	**40**	-
Other creditors	**56**	21
Accruals and deferred income	**26**	33
	122	54

Amounts falling due after one year	**2015**	**2015**
	£'000	**£'000**
Amounts due to group undertakings	**-**	-
	-	-

9. DEFERRED TAXATION

There is no unprovided deferred taxation liability at 31 March 2015 or 31 March 2014.

No provision has been made for the potential deferred tax assets on the trading losses carried forward as they are not sufficiently certain to crystallise in the foreseeable future. The amounts not recognised (all of which have been calculated at 20% (2014: 20%) are set out below:

	2015	2014
	£'000	£'000
Arising from trading losses	**298**	273
Arising from capital losses	**1,655**	1,655
	1,953	1,928

10. CALLED UP SHARE CAPITAL

	2015	2014
	£'000	£'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	**51**	51
1,313,427 deferred shares of £1.975 each share premium	**2,594**	2,594
	2,645	2,645
Carrying value:		
Equity shares:		
2,040,000 ordinary shares of £0.025 each	**51**	51

Further to the Extraordinary General Meeting held on 1 September 1999 the ordinary shares have 200 votes per share.

The deferred shares do not have voting rights and do not carry any entitlement to attend general meetings of the Company; they are not admitted to any Stock Exchange and carry a right to participate in any return of capital once an amount of £100 has been paid in respect of each new ordinary share.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015	2014
	£'000	£'000
(Loss)/profit for the financial year	**(135)**	671
Unrealised loss on available for sale investments	**(10)**	-
	(145)	671
Opening shareholders' funds	**233**	(438)
Closing shareholders' funds	**88**	233

12. RESERVES

	Available For Sale Reserve £'000	Profit and loss £'000	Share premium £'000
At 1 April 2014	-	(7,994)	5,370
Loss for the year		(135)	-
Transfer between reserves	14	(14)	-
Unrealised loss on available for sale investments	(10)	-	-
At 31 March 2015	**4**	**(8,143)**	**5,370**

There were no movements in other reserves during the year. As permitted by the Companies Act 2006, the Company's profit and loss account has not been included in these accounts. The Company's loss for the financial year was £135,000 (2014: £671,000 profit).

13. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2015 or 31 March 2014.

14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by FRS 8 with regard to disclosing transactions with wholly-owned subsidiaries, on the grounds that the results of the subsidiaries are included in the publicly available consolidated financial statements of Associated British Engineering plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRSs), and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- the directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the annual report, including the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

C Weinberg
Director
28 July 2015

CORPORATE GOVERNANCE REPORT

(AS REFERRED TO IN THE DIRECTORS' REPORT)

In accordance with the requirements of the Listing Rules of the Financial Conduct Authority, set out below are details of the Company's corporate governance arrangements, including a statement as to how the Company applies the principles of Section 1 of the UK Corporate Governance Code, together with a statement regarding its compliance with specific provisions. Whilst welcoming the principles contained within the Code, the Board considers that it should be recognised that what may be appropriate for a large Company may not necessarily be so appropriate for a smaller company and the Company's current circumstances. As a result, the Company has been in compliance throughout the year with the provisions set out in the UK Corporate Governance Code with the following exceptions:-

- The division of responsibilities between the roles of chairman and chief executive have not been clearly established, set out in writing and agreed by the Board. This is contrary to provision A.2.1. This has not been put in place because there is no chief executive on the Board but the appointment of joint-chairmen provides checks and balances;
- The Company does not have a Nomination Committee, this is contrary to provisions B2.1–B2.2. This has not been considered necessary due to the size and nature of the Board which consists of one non-executive director and two part time executive directors;
- The non–executive director of the Company has not been appointed for specific terms as required by provision B2.3. This has not been considered necessary to date but his rotation is being actively considered by the Board;
- There is no formal training programme for new directors on joining the Board. This is contrary to provision B4.2. The has not been considered necessary to date but is being actively considered by the Board om new appointments;
- The Board has not undertaken a formal and rigorous annual evaluation of its own performance and the individual directors. This is contrary to provision B.6.1. When a new non-executive director is appointed this will be implemented.

Board of Directors

The Board comprises one non-executive director and two part time executive directors, as detailed in the Directors' Report.

The Board of Directors is responsible for formulating strategy and monitoring financial performance. The directors are in frequent contact throughout the year with the Group's business, meet as required and also attend formal Board meetings. The strategies proposed by management of the company and its subsidiary(ies) are fully discussed, critically examined against the best and long term interests of not only the shareholders, but also customers, employees, suppliers and various communities and environments within which the Group operates. During the year, all serving directors were in attendance at Board meetings.

The Board retains full responsibility for the direction and control of the Group and has a formal schedule of matters in respect of which decisions are reserved to it, covering key areas including strategy formulation, acquisitions or disposals, approval of the budget for the subsidiary, financial results, board appointments and proposals for dividend payments.

The Board has full and timely access to relevant information throughout the Group.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are compiled with. There is also formal agreed procedure for directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense.

The business address of each of the directors is 9 High Street, Little Eversden, Cambridge CB23 1HE.

The Board is supported by a senior management team which includes the following individuals:

Stewart Davis (67), non-executive director of BPE and former managing director. Stewart has worked for BPE for 51 years and was its sales director from 1985 to 2007.

Jim Duncan (50), former Operations Director of BPE having joined BPE some 35 years ago and was appointed joint managing director of BPE responsible for engineering on Stewart Davis's retirement

Bill Girdwood (41) he joined BPE in October 2014 from another engineering company and as joint managing director he is responsible for sales.

Marc Weisberger (39) he was a founder, shareholder and managing director of Akoris Trading Limited. He resigned in January 2015

Non-Executive Directors

Short biographies of the directors appear on page 56 and show considerable and varied experience in the business world and the City. During the year, Sir David Thomson Bt. was appointed a director immediately after the AGM in 2014 and before the resignation of David Brown; he was deemed to have vacated his office in December 2014. Andrew Beaumont was also deemed to have vacated his office as non-executive director on the same day.

Under the Company's Articles of Association, new directors and at least one third of the directors retire from office each year. The retiring director is eligible for re-election.

The role of non-executive directors is a vital element of corporate accountability. Due to the small size of the Board and because there are no full time executive directors, the directors and the joint chairmen carry out certain executive responsibilities.

Nomination

The Appointment of directors will be discussed by the full Board until such time as there are two non-executive directors to form an effective committee. Potential new non-executive directors are proposed by all the members of the Board and major shareholders; the Board considers these in the light of the Company's business requirements and the need to have a balanced Board. The Board will then implement an appropriate review committee.

Audit Committee

The Company's audit committee comprises the full Board. The audit committee meets at least twice a year to monitor the financial reporting process, including its annual and interim accounts; the effectiveness of the Company's internal controls and risk management systems; statutory audit of the annual and consolidated accounts; and to review and monitor the independence of the statutory auditor and provision of additional services to the Group.

As part of this process, the performance of the Group's major divisions is considered, with key judgements, estimates and accounting policies being approved by the subsidiary Board ahead of recommendation to the group board. The primary areas of financial reporting judgement considered by the Committee in relation to the 2015 financial statements and how they were addressed are outlined below:

Revenue Recognition and Management Override
The Committee have reviewed the systems and control processes in place during the financial year to 31 March 2015 and concluded that, given the resources available, appropriate procedures are in place. There is sufficient level of supervisory oversight in place to ensure that revenue is not materially misstated and the risk of management override has been reduced.

Assessing external audit effectiveness
The Audit Committee reviews audit quality every year using feedback from the Auditors, the Board and Senior Management Team. The effectiveness and quality of the audit process is considered by focussing on the scope of the audit and auditor independence in order to ensure that the quality of the audit process is not compromised and remains effective.

Audit Committee (continued)

Pensions
The Committee continued to monitor the Group's pension arrangements, in particular the liability in respect of the defined benefit plans, which are sensitive to assumptions made in respect of discount rates and inflation. The Committee reviewed the actuarial assumptions used and compared them with those used by other companies, and considered them to be reasonable.

Provisions
The Committee reviewed whether certain provisions were sufficient, in particular inventory provisions and decided that they were reasonable and appropriate.

Appointing the auditor and safeguards on non-audit services
The current auditors have acted for more than ten years and do not provide any non-audit services. The Audit Committee will consider the practicalities of putting the audit out to tender.

Remuneration

The Company's remuneration committee comprises Rupert Pearce Gould and Colin Weinberg. The remuneration committee is to meet at least twice a year and has as its remit the determination and review of, amongst others, the remuneration of directors including group directors together with any incentive plans adopted, or be adopted, by the Company and the Group.

Communication with Shareholders

The Board believes it is important to respond adequately to the queries of both private and institutional shareholders. During the year The Group responded to shareholder concerns about the structure of the Board and the changes during the year were a consequence of that.

The Chairman's Statement in the Annual Report contains a business review. An interim business review is also provided with the half yearly announcement. The Chairmen are available to shareholders at any time to discuss strategy and governance matters.

The Board seeks to ensure that its report and accounts and other financial statements provide a clear assessment of the Group's business. All shareholders have the opportunity to ask questions and express their views at the Company's Annual General Meeting, at which all directors are available to take questions.

AUDIT AND INTERNAL CONTROL

The directors are responsible for the Group's system of internal control and reviewing its effectiveness. These controls can only ever provide reasonable but not absolute assurance that assets are safeguarded against material misstatement or loss, that proper accounting records are maintained, and that the information used internally, or for publication, is accurate and reliable. The key procedures, which exist to provide external control, are as follows -

- clearly defined organisation structures with segregation of duties wherever practicable. Operating and financial responsibilities for the subsidiary Company are delegated to the subsidiary's Board and there are limits which apply to capital expenditure and significant contracts. During the year it is believed that in the case of Akoris these had been breached and appropriate action was taken.

- a regular review is undertaken to assess the risks facing the trading subsidiary and to enhance the systems which manage the risk identified. Local management establishes control procedures for each of the risks identified and reports whether the key controls have operated effectively

- agreement of Group short term financial objectives and business plans

- review by the Board of monthly Group Financial Statements and monitoring of results against budget. The executive directors attend regular Board meetings of the subsidiary(ies)

- Board control over treasury, taxation, legal, insurance and personnel issues

ASSOCIATED BRITISH ENGINEERING PLC

CORPORATE GOVERNANCE REPORT (continued)

AUDIT AND INTERNAL CONTROL (continued)

- The acquisition or disposal of a business may not be completed without the approval of the Board.

- The operational responsibility for preparing the consolidated accounts is delegated to a third party service provider with the Board retaining responsibility for overall content, presentation and final review of the consolidated accounts.

Risk Management

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant business risks faced by the Group, including those risks relating to social, environmental and ethical matters. This process was in place throughout the year under review and up to the date of approval of this report. The Audit Committee has kept under review the effectiveness of the system of internal control and has reported regularly to the Board.

Through these mechanisms, Group performance is continually monitored, risks identified in a timely manner, their financial implication assessed, control procedure re-evaluated and corrective actions agreed and where possible implemented.

The Board believes that it is not currently appropriate for the Company to maintain an internal audit function due to the size of the Group and the manner in which the group operates. .

The Board consider the independence and objectivity of the external auditor on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 3 to the financial statements. There were no non-audit fees incurred from the auditor during the year. The Board also receive an annual confirmation of independence from the auditors.

Fair, Balanced and Understandable

The process of compiling the Annual Report was improved to give the Board more time to assess whether it was fair, balanced and understandable, as required by the Code. The Board considered whether the Annual Report contained the necessary information for shareholders to assess the Company's performance, business model and strategy. The tone was reviewed to ensure a balanced approach and, with the support of the Audit Committee, the Board made sure the narrative at the front end of the report was consistent with the financial statements.

GOING CONCERN

The financial statements have been prepared on the going concern basis. There have been no changes to accounting policies in the year. The most notable accounting event has been the increase in the pension scheme deficit based on this year's actuarial forecast and referred to in the Chairman's Statement. With reference to the recovery plan agreed with the Trustees in conjunction with the valuation of the pension scheme as at 1 April 2014, the Group will make the following contributions over the period from 1 April 2014 to 31 March 2030:

- From 1 April 2014 until 1 August 2014 contributions of £17,000 per month have been paid in accordance with the previous recovery plan.
- From 1 August 2014, £10,000 per month will be payable by the 19th of the calendar month after that to which they relate.
- An additional lump sum of relating to the profits of the employer in respect of all accounting periods as from 1 April 2014 is payable in the financial year following the generation of the profits calculated on the following basis:-
- a) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £250k and below £1,050k an additional payment of 20% of such profits
- b) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £1050k an additional payment of 10% of such profits

GOING CONCERN (continued)

- Profit-share contributions will only be payable if there is a gross pension deficit recorded in the Employer's Annual Report and Accounts for the financial year in which the profits are generated
- Funding shortfall contributions (including profit-share contributions) will cease in the event that a funding surplus is certified by the Scheme Actuary

Based on the Group's budgets and cash forecasts, the Board considers that the Group has sufficient resources to meet all necessary outgoings and to enable it to continue in operational existence for the foreseeable future.

On behalf of the Board
C Weinberg
Director
28 July 2015

Introduction

This report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies and Groups (accounts and Reports) (Amendment) Regulations 2013 in respect of the year ended 31 March 2015. The reporting requirements entail two sections to be included, a Policy Report and an Annual Remuneration Report which are presented below.

The Company's auditor, Grant Thornton UK LLP, is required to give its opinion on certain information included in this report, this comprises of the Directors Remuneration – single figure table on page 57 and the information on directors shareholdings which is contained in the directors report on page 4 and also forms part of this directors' remuneration report. Their report on these and other matters is set out on pages 8 to 9.

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Company's Remuneration Committee considers Directors' remuneration and has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the period although the Directors expect from time to time to review the fees against those paid to boards of directors of comparable organisations and appointments. The Company does not have a Chief Executive Officer, Senior Management or any full time employees and relies on senior management in each subsidiary.

DIRECTORS' REMUNERATION POLICY REPORT

During the year the Company started discussions under the Chairmanship of Andrew Beaumont regarding the roles and remuneration of Directors. The outcome was, without materially altering the costs of the Board, to redefine the roles of the directors as follows:-
Senior Non-executive Director – Stephen Cockburn
Joint Chairman and Deputy Chairman – Rupert Pearce Gould (part time executive - operational)
Joint Chairman and Deputy Chairman – Colin Weinberg (part time executive - finance)

The Company's policy is for the Directors to be remunerated in the form of fees, payable monthly in arrears. The non-executive directors each receive a fee for their services, which is agreed by the Remuneration Committee after reviewing comparable organisations and appointments. None of the non-executive directors receive a pension or other benefit from the Company, nor do they participate in any bonus or incentive schemes or share option schemes.

The fees are not specifically related to the Directors' performance, either individually or collectively. The Board is also entitled to be repaid all reasonable travelling subsistence and other expenses incurred by them respectively whilst conducting their duties as Directors, however no other remuneration or compensation was paid or payable by the company during the period to any of the current Directors. There will be no payment for loss of office unless approved by a separate shareholder resolution.

Major decisions on Remuneration

The Company's policy is that the fees payable to each director should reflect the time spent by the directors on the Company's affairs and the responsibilities borne by each of the directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other directors in recognition of the more onerous role. The Remuneration policy is to review the director's fee rates from time to time, benchmarking the fees against comparable organisations and appointments, although such review will not necessarily result in any change. Due to the nature of the Company, there are no full time employees and therefore the requirement to consider the percentage change in remuneration of all employees when determining the Directors' remuneration is not considered to be relevant.

The non-executive director has a service agreement with the Company and Colin Weinberg has a similar agreement. In accordance with the Articles of Association each director retires from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring director is eligible for re-election.

A Director may resign by notice in writing to the Board at any time giving one month's notice. None of the Directors are entitled to compensation payable upon early termination of their arrangements other than in respect of any unexpired notice period.

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REMUNERATION REPORT

In accordance with the reporting requirements of Large and Medium sized Companies and Groups (accounts and Reports) (Amendment) Regulations 2013, an Ordinary resolution for the approval of the remuneration policy of the Company to remain in force for a three year period, will also be put to the members of the Annual General Meeting and effective from that date.

ANNUAL REMUNERATION REPORT

DIRECTORS' REMUNERATION – SINGLE FIGURE TABLE (AUDITED)

	2015 Total £'000	2014 Total £'000
Mr S Cockburn	**10**	10
Mr R Pearce Gould (appointed 18 September 2014)	**5**	-
Mr C Weinberg	**16**	10
Mr D A H Brown (resigned 18 September 2014)	**8**	15
Sir David Thomson Bt. (appointed 18 September 2014 – vacated office 11 December 2014)	**3**	-
Mr A Beaumont (vacated office 11 December 2014)	**7**	10
	49	45

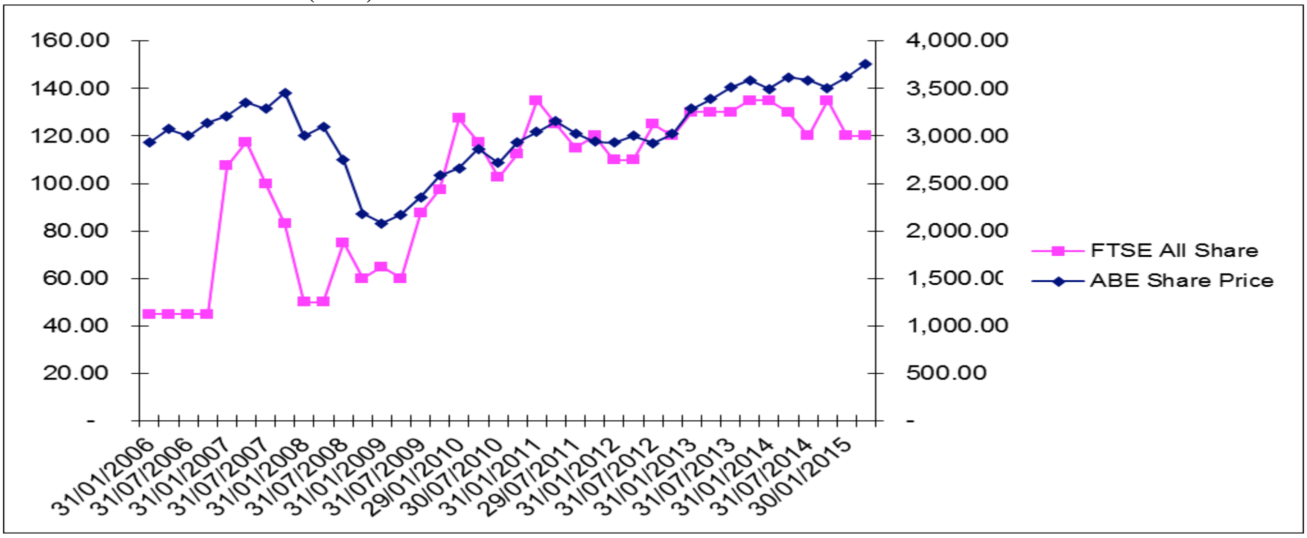
The amounts above all relate to directors fees and represent the total remuneration of the company's directors but exclude fees paid by a subsidiary to Cambridge Management Consultants Limited, a company related to Mr Pearce Gould.

This section of the report is subject to approval by a simple majority of shareholders at the AGM in or around September 2015, as in previous years.

Statement of Voting at the Annual General Meeting (AGM)

The 2013 Remuneration Report was presented to the AGM in September 2014 and received shareholder approval following a vote on a show of hands. 0.47% of the votes cast on the proxy forms were against the Report and no votes were withheld. The proxy forms returned contained no explanation for the votes against the resolution.

Total Shareholder Return (TSR)



Source: Yahoo UK finance

The graph above shows the Company's TSR performance compared to the FTSE All Share index over the past five years. TSR is defined as share price growth plus reinvested dividends. This provides a basis for comparison with a relevant equity index but should be treated with caution in view of the small market in the Company's shares.

A statement of directors' shareholdings and interest is reported in the directors' report on page 4.

Company Performance

The Board is responsible for the Company's business strategy and performance.

The Statement of Directors' responsibilities, Corporate Governance report and the Directors' Remuneration report on pages 50 to 58 form part of the Directors' report to the group financial statements,

On behalf of the Board

C Weinberg
Director
28 July 2015

DIRECTORS AND ADVISERS

The Board comprises three directors:

STEPHEN COCKBURN (75) has been a non-executive director since 1979. He was a non-executive director of AIM-listed Fiske plc from September 1999 until September 2014 and he was managing director of The Investment Company plc from 1994 until 2013, where he remains a non-executive director.

COLIN WEINBERG (66) became a non-executive director on 10 November 2003. He was a member of the London Stock Exchange from 1980 to 1987 and was admitted to fellowship of the Securities Institute in 1995. He was previously a non-executive director of Peckham Building Society.

RUPERT PEARCE GOULD (63), was appointed as non-executive director on 18 September 2014. Rupert has a degree in engineering and has served as an executive director and chairman in both the public and private sector. He has been chairman of BPE since 2000 and was previously a director of the company for 2 years until 2002.

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